

WILLIAM H. THOMAS (ISB 3154)
DANIEL E. WILLIAMS (ISB 3920)
CHRISTOPHER F. HUNTLEY (ISB 6056)
HUNTLEY PARK, THOMAS, BURKETT,
OLSEN & WILLIAMS

250 S. Fifth St., Suite 660
P.O. Box 2188
Boise, ID 83701-2188
Telephone: (208) 345-7800
Fax: (208) 345-7894
wmthomas@idahoattv.com
danw@idahoattv.com
chuntley@idahoattv.com

Attorneys for Plaintiffs

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF IDAHO

KIMBERLEY SMITH, MICHAEL)
B. HINCKLEY, JACQUELINE T.)
HLADUN, MARILYN J. CRAIG,)
JEFFERY P. CLEVINGER, and)
TIMOTHY C. KAUFMANN,)
individually and on behalf)
of those similarly situated,)

Plaintiffs,)

vs.)

MICRON ELECTRONICS, INC., a)
Minnesota corporation,)

Defendant.)

Case No. CIV 01-0244-S-EJL

SECOND AMENDED COMPLAINT
AND DEMAND FOR JURY TRIAL

SECOND AMENDED COMPLAINT AND DEMAND FOR JURY TRIAL, P. 1

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Plaintiffs Kimberley Smith, Michael B. Hinckley, Jacqueline T. Hladun, Marilyn J. Craig, Jeffery P. Clevenger, and Timothy C. Kaufmann ("Plaintiffs"), individually and on behalf of those similarly situated, for their cause of action against the Defendant, claim and allege as follows:

INTRODUCTION

1. Defendant Micron Electronics, Inc., ("Micron") at all relevant times for this Complaint was a Minnesota corporation authorized to do and doing business in Idaho with its headquarters at Boise, Idaho. Micron also did business at a facility located in Roseville, Minnesota (suburb of Minneapolis).
2. Throughout its business operations, Defendant Micron has unlawfully (1) induced employees to work off the clock, (2) implicitly and explicitly allowed managers to alter employee timecards, (3) failed to calculate overtime pay accurately, (4) discouraged employees from keeping accurate time records, and (5) suppressed wage claims. These practices have been repeated, frequent and willful, rather than isolated, sporadic or accidental, and are long-standing.
3. Defendant Micron's stated policy is to prohibit work off the clock, but notwithstanding this policy and in order to save the expenses associated with the payment of overtime wages, Micron's management through its supervisors and managers (1) permits, encourages and tacitly demands that their non-exempt subordinates work off the clock and through lunch and rest breaks, (2) alters employee time records to avoid payment of wages earned, and (3) suppresses wage claims by leading employees to believe that working overtime without pay is a career-enhancing activity.
4. Employees of Defendant Micron wish to give statements about off-the-clock work

and make claims for wages owing for work they have performed off the clock, but fear discrimination and retaliation by Micron if they do so. Upon information and belief, Defendant Micron has threatened, in violation of Section 15(a)(3) of the Fair Labor Standards Act ("FLSA"), 29 U.S.C. Section 215 (a)(3), to take, and has taken, disciplinary action against employees including dismissal, if they make claims for unpaid wages or otherwise admit to having worked off the clock, even while Defendant Micron has suffered and permitted them to perform such work.

5. Plaintiffs seek to end these illegal practices and recover compensatory, liquidated and punitive damages. Plaintiffs also seek equitable tolling of applicable statutes of limitation to permit recovery of unpaid wages during all past years employees have been subjected to (1) suppression of wage claims by threats of disciplinary action for making bona fide claims for uncompensated time Defendant Micron has permitted them to work, and (2) alteration of time records to avoid payment of wages earned.

JURISDICTION AND VENUE

6. Plaintiffs incorporate paragraphs 1 through 5 above.

7. Jurisdiction of this Court is invoked pursuant to, *inter alia*, Title 28 U.S.C. Section 1331 and 29 U.S.C. Section 216(b). The federal claim is not insubstantial.

8. This Court has jurisdiction over Plaintiffs' pendent state claims by virtue of Title 28 U.S.C. Section 1367.

9. Venue is proper under Title 28 U.S.C. Section 1391(b)(2) in that a substantial part of the events or omissions giving rise to the claims occurred in Meridian, Idaho, and Section 1391(c) in that Defendant Micron is subject to personal jurisdiction in the District of Idaho.

PARTIES

PLAINTIFFS

10. Plaintiffs incorporate paragraphs 1 through 9 above.

Kimberley Smith

11. Plaintiff Kimberley Smith ("Smith"), is an individual who was employed by Defendant Micron. Smith brings this action on behalf of herself and a class of others similarly situated and seeks relief as more specifically described below.

12. Plaintiff Smith was employed by Defendant Micron at its Meridian, Idaho, sales center. Her employment began in July, 2000. She was employed as an inside sales representative in the small business department. Defendant Micron classified Plaintiff Smith as "non-exempt" under the FLSA. Smith was paid a base hourly rate and, in addition, Smith received a commission based upon the volume of her sales. During her employment she worked off-the-clock overtime hours for which she was not paid.

13. During her employment with Micron, Smith sold personal computers and notebook computers manufactured by Micron Electronics, Inc. Smith was subject to personnel policies, practices and procedures set forth in a Micron Electronics, Inc. personnel manual. Sales training was provided to Smith and other similarly-situated employees by Micron Electronics, Inc. employees. Smith was provided employee benefits such as medical insurance through Micron Electronics, Inc. Smith was eligible for stock options in shares of Micron Electronics, Inc. shares of stock.

Michael B. Hinckley

14. Plaintiff Michael B. Hinckley ("Hinckley"), is an individual who was employed

by Defendant Micron. Hinckley brings this action on behalf of himself and a class of others similarly situated and seeks relief as more specifically described below.

15. Plaintiff Hinckley was employed by Defendant Micron at its Meridian, Idaho, sales center from April 24, 2000, to May 31, 2001. He was employed as an inside sales representative in the small business department. Defendant Micron classified Plaintiff Hinckley as "non-exempt" under the FLSA. Hinckley was paid a base hourly rate and, in addition, Hinckley received a commission based upon the volume of his sales. During his employment, he worked off-the-clock overtime hours for which he was not paid.

16. During his employment with Micron, Hinckley sold personal computers and notebook computers manufactured by Micron Electronics, Inc. Hinckley was subject to personnel policies, practices and procedures set forth in a Micron Electronics, Inc. personnel manual. Sales training was provided to Hinckley and other similarly-situated employees by Micron Electronics, Inc. employees. Hinckley was provided employee benefits such as medical insurance through Micron Electronics, Inc. Hinckley was eligible for stock options in shares of Micron Electronics, Inc. shares of stock.

Jacqueline T. Hladun

17. At all times relevant to this Complaint, plaintiff, Jacqueline T. Hladun ("Hladun") is an individual who was employed by Defendant Micron. Hladun brings this action on behalf of herself and a class of others similarly situated and seeks relief more specifically described below.

18. Plaintiff Hladun was employed by Defendant Micron or its predecessor Zeos International, Ltd. at its Roseville, Minnesota, sales center from August 1994 to August 2000. She was employed as an inside sales representative selling to "domestic" and commercial

customers in the commercial sales department. At all times relevant to this Complaint, Defendant Micron classified Hladun "non-exempt" under the FLSA. Hladun was paid a base hourly rate and, in addition, Hladun received a commission based upon the volume of her sales. During her employment with defendant Micron, plaintiff Hladun worked off-the-clock overtime hours for which she was not paid.

19. During her employment with Micron, Hladun sold personal computers and notebook computers manufactured by Micron Electronics, Inc. Hladun was subject to personnel policies, practices and procedures set forth in a Micron Electronics, Inc. personnel manual. Sales training was provided to Hladun and other similarly-situated employees by Micron Electronics, Inc. employees. Hladun was provided employee benefits such as medical insurance through Micron Electronics, Inc. Hladun was eligible for stock options in shares of Micron Electronics, Inc. shares of stock.

Marilyn J. Craig

20. Plaintiff, Marilyn J. Craig ("Craig"), is an individual who was employed by Defendant Micron. Craig brings this action on behalf of herself and a class of others similarly situated and seeks relief more specifically described below.

21. Plaintiff Craig was employed by Defendant Micron or its predecessor Zeos International, Ltd. at its Roseville, Minnesota sales center from March 1995 until September 2000. She was employed as an inside sales representative in the commercial sales department. Defendant Micron classified Craig as "non-exempt" under the FLSA. Craig was paid a base hourly rate and, in addition, Craig received a commission based upon the volume of her sales. During her employment with defendant Micron, plaintiff Craig worked off-the-clock overtime

hours for which she was not paid.

22. During her employment with Micron, Craig sold personal computers and notebook computers manufactured by Micron Electronics, Inc. Craig was subject to personnel policies, practices and procedures set forth in a Micron Electronics, Inc. personnel manual. Sales training was provided to Craig and other similarly situated employees by Micron Electronics, Inc. employees. Craig was provided employee benefits such as medical insurance through Micron Electronics, Inc. Craig was eligible for stock options in shares of Micron Electronics, Inc. shares of stock.

Jeffery P. Clevenger

23. Plaintiff, Jeffery P. Clevenger ("Clevenger"), is an individual who was employed by Defendant Micron. Clevenger brings this action on behalf of himself and a class of others similarly situated and seeks relief more specifically described below.

24. Plaintiff Clevenger was employed by Defendant Micron at its Meridian, Idaho sales center from November 1998 until March 2000. He was employed as an inside sales representative in the consumer and small business department and in the web/small business department. Defendant Micron classified Clevenger as "non-exempt" under the FLSA. Clevenger was paid a base hourly rate and, in addition, received a commission based upon the volume of his sales. During his employment with defendant Micron, plaintiff Clevenger worked off-the-clock overtime for which he was not paid.

25. During his employment with Micron, Clevenger sold personal computers and notebook computers manufactured by Micron Electronics, Inc. Clevenger was subject to personnel policies, practices and procedures set forth in a Micron Electronics, Inc. personnel

manual. Sales training was provided to Clevenger and other similarly-situated employees by Micron Electronics, Inc. employees. Clevenger was provided employee benefits such as medical insurance through Micron Electronics, Inc. Clevenger was eligible for stock options in shares of Micron Electronics, Inc. shares of stock.

Timothy C. Kaufmann

26. Plaintiff, Timothy C. Kaufmann ("Kaufmann"), is an individual who was employed by Defendant Micron. Kaufmann brings this action on behalf of himself and a class of others similarly situated and seeks relief more specifically described below.

27. Plaintiff Kaufmann was employed by Defendant Micron at its Meridian, Idaho, sales center during several different time periods between 1996 and 2000. He most recently was employed as an inside federal sales representative in the government sales department. Defendant Micron classified Kaufmann as "non-exempt" under the FLSA. Kaufmann was paid a base hourly rate and, in addition, received a commission based upon the volume of his sales. During his employment with defendant Micron, plaintiff Kaufmann worked off-the-clock overtime for which he was not paid.

28. During his most recent employment with Micron, Kaufmann sold personal computers and notebook computers manufactured by Micron Electronics, Inc. Kaufmann was subject to personnel policies, practices and procedures set forth in a Micron Electronics, Inc. personnel manual. Sales training was provided to Kaufmann and others similarly-situated employees by Micron Electronics, Inc. employees. Kaufmann was provided employee benefits such as medical insurance through Micron Electronics, Inc. Kaufmann was eligible for stock options in shares of Micron Electronics, Inc. shares of stock.

29. During plaintiff Kaufmann's most recent employment with defendant Micron, Micron's overtime policy and practice was described in correspondence between Kaufmann and his supervisor in government sales, Mark Cox, as follows:

... If you are going to work a big chunk of overtime because you have to then that is when you need approval. If you decided to work an extra ½ to an hour a day or off and on because you are trying to drive your sales numbers then that is up to you and doesn't require approval/inclusion on your time sheet.

* * *

... What I was trying to pass on is that I am not in a position to approve much for overtime right now because of OPEX budgets. So, if you are required to stay here to get something done or because you are backing someone up then I can get it approved. If YOU are choosing to work additional time because you are trying to get your sales numbers up then it is up to you and we don't have to log overtime. Does that make sense? (Emphasis in original.)

* * *

... This job should be salary plus commission like almost all other Sales [sic] jobs that I am aware of. This allows the achievers to work as much time as they feel necessary to bring the Sales [sic] that ultimately pays them the big money. It is unfortunate that because of the laws in Minnesota Micron had to change over to hourly pay rate for sales reps. Don't get me wrong, if you need to be her then I/Micron will certainly pay you for your efforts. I just need to keep an eye on this because it starts to become a way of subsidizing ones [sic] paycheck which in turn drives up our budgets. (A complete copy of the correspondence is attached to this Complaint as Exhibit "A").

DEFENDANT

Micron's Acquisition of and Merger with Interland, Inc.

30. Pursuant to a Securities and Exchange Commission, Form 8-K filing of August 7, 2001, Defendant Micron merged into another entity, Interland, Inc. (A copy of which is attached to this Complaint as Exhibit "B"). The merger was more particularly described as follows:

On August 6, 2001, Interland, Inc., a Minnesota corporation (formerly Micron Electronics, Inc., the "Company") completed the acquisition of Interland, Inc., a Georgia corporation ("Interland - Georgia"), through the merger of a wholly-

owned subsidiary of the Company with and into Interland - Georgia, with Interland - Georgia surviving as a wholly-owned subsidiary of the Company (the "Merger"). Simultaneously with the Merger, the Company changed its name from "Micron Electronics, Inc." to "Interland, Inc." and changed its Nasdaq stock symbol to "INLD" effective August 7, 2001. The Company headquarters has been relocated to 303 Peachtree Center Ave., Suite 500, Atlanta, GA, 30303. The Merger is intended to be a tax-free reorganization and will be accounted for under the purchase method of accounting.

Description of Micron's Businesses

31. Defendant Micron's Securities and Exchange form 10-Q/A filed as of June 29, 2001, provided the following corporate description (The relevant portions of which are attached to this Complaint as Exhibit "C"):

Micron Electronics, Inc. and its subsidiaries (collectively the "Company") provide a variety of computer products and related services through its PC Systems, SpecTek, and HostPro business segments. The Company has adopted plans to dispose of its PC Systems and SpecTek business segments, which are reported separately as discontinued operations - See Footnote 3 "Discontinued Operations." The Web hosting business ("HostPro"), will remain as the Company's sole continuing operations. HostPro offers a range of business-to-business Internet products and services, including turnkey e-commerce solutions, Web and applications hosting, co-location and connectivity services to small - and medium-sized businesses, government, education and retail markets. The PC Systems range of desktop and notebook systems and network servers under the micronpc.com brand name and sells, resells, and supports a variety of additional peripherals, software and services. SpecTek processes and markets various grades of member products in either component or module form for specific applications.

Sale of Micron's PC Systems

32. Defendant Micron's Securities and Exchange Commission Form S-4 filing as of May 22, 2001 describes the sale of its "PC Systems" at the end of May 2001 as follows (the relevant portions of which are attached to this Complaint as Exhibit "D"):

On April 30, 2001, Micron Electronics entered into a definitive agreement to sell its PC Systems business to GTG PC Holdings, LLC, an affiliate of the Gores Technology Group. Under the terms of the agreement to sell its PC Systems business, GTG PC will receive the assets, which include \$70 million in cash, and

assume specific liabilities of the PC Systems business. Micron Electronics is required to meet specified working capital requirements based on net assets and liabilities to be transferred to GTG PC. An additional cash contribution may be required if Micron Electronics does not meet these working capital requirements.

33. Defendant Micron's Securities and Exchange Commission Form 10-Q filing as of May 31, 2001 reported as follows (the relevant portions of which are attached to this Complaint as Exhibit "E"):

On May 31, 2001, the Company [defined collectively as "Micron Electronics, Inc. and its subsidiaries"] sold its PC Systems business to GTG PC Holdings, LLC ("GTG PC"), an affiliate of the Gores Technology Group. Under the terms of the agreement, GTG PC received assets, which included \$76.5 million in cash, and assumed specified liabilities of the PC Systems business. . . .

The Company retained all liabilities of the PC Systems business not assumed by GTG PC, including, for example, liabilities for taxes arising prior to the closing of the transaction, employee termination and related expenses, and any contingent liabilities arising prior to closing date. . . .

Corporate Overview of Micron's Businesses

34. Defendant Micron's Securities and Exchange Commission form 10-Q as of January 16, 2001, reported as follows (the relevant portions of which are attached to this Complaint as Exhibit "F"):

Micron Electronics, Inc. and its subsidiaries (collectively the "Company") is a computing company which provides computer products and services, Internet offerings, Web hosting and business-to-business e-commerce applications for small-and medium-sized businesses, government, education and retail markets. Under the brands micronpc.com, NetFRAME, VelocityNet Direct ("VND"), HostPro and SpecTek, we offer a wide range of innovative products, services and support. Our three business segments are PC Systems, HostPro and SpecTek. Our PC Systems business develops, markets, manufactures, sells and supports a wide range of high performance desktop and notebook systems and network servers under the micronpc.com and NetFRAME brand names and sells, resells, and supports a variety of additional peripherals, software and services. . . .

35. Defendant Micron, at all times relevant to this Complaint, including its so-called "subsidiaries," has in excess of 1100 employees.

36. Defendant Micron is an "employer" within the meaning of the FLSA and Plaintiffs are "employees engaged in commerce" within the meaning of the FLSA. Plaintiffs are entitled to the protection afforded by the minimum-wage and overtime provisions of the FLSA and have standing under Section 16(b) of the FLSA to maintain this action on behalf of themselves and other employees similarly situated.

FACTUAL ALLEGATIONS

37. Plaintiffs incorporate paragraphs 1 through 36 above.

38. Defendant Micron has a company-wide policy of compensating its hourly sales employees ("sales representatives"), in part, through a commission system. The sales representatives also receive a base hourly rate of pay in addition to the commission.

39. On occasion Defendant Micron has paid Plaintiffs and, upon information and belief, other sales representatives, overtime for hours worked in excess of forty hours in a workweek. Micron, however, from time to time, intentionally calculates overtime based solely upon a sales representative's hourly rate. Defendant Micron, in violation of the FLSA, has failed to include the commissions earned by Plaintiffs and other sales representatives in some overtime calculations.

40. The purported regular daily working hours for Micron sales representatives are eight-hour shifts with unpaid one-hour lunch breaks. Notwithstanding Micron's stated regular hours, Plaintiffs and other similarly-situated sales representatives regularly arrive at work earlier than their scheduled start times. Notwithstanding Micron's stated working hours, Plaintiffs and other similarly-situated sales representatives regularly work past the scheduled end of their

shifts. Notwithstanding Micron's hour-long unpaid lunch, Plaintiffs and other similarly-situated sales representatives frequently work through the lunch hour.

41. It is Defendant Micron's stated practice or policy to pay overtime to sales representatives for hours worked in excess of forty (40) in a given workweek. Notwithstanding its stated practice and policy, Plaintiffs and other similarly-situated sales representatives have, from time-to-time been warned that they cannot record more than a limited number of hours in a given workweek. Plaintiffs and other similarly-situated sales representatives have consistently worked many hours in excess of 40 in a workweek and Micron failed to pay them for all hours worked in excess of forty hours in a workweek.

42. Some managers at Defendant Micron discourage Plaintiffs and other similarly-situated sales representatives from accurately recording their time spent working for Micron by verbally reprimanding employees who may have recorded too much overtime.

43. Management at Defendant Micron also encourages off-the-clock work by leading sales representatives to believe that the sales representative position is the beginning of a career path that will lead to a more managerial position at higher wages. The conventional myth perpetuated by Micron is that sales representatives should spend time - at no charge to the employer - preparing themselves for future positions with Micron. Sales representatives are therefore reluctant to claim all their overtime hours since they would appear to be less professional.

44. Defendant Micron, from time-to-time permitted its managers to alter time records to reduce wage and overtime claims. Plaintiffs and sales representatives who are

similarly situated keep their time records on their computers. These time records are auto-generated and plaintiffs and sales representatives who are similarly situated do not have to enter time or other information since the program automatically defaults to a forty-hour per week schedule. Plaintiffs and sales representatives who are similarly situated can overwrite the automatic default to enter the correct hours worked. Time records are approved at the end of the week by either a supervisor or someone in Micron's payroll department. Micron managers or supervisors are afforded the capability of overriding, changing or altering a sales representative's timecard. Upon information and belief, managers and supervisors have altered sales representatives' time cards for the purpose of diminishing overtime.

45. Defendant Micron's practices and policies have led to the improper calculation of overtime hours by failing to include Plaintiffs' and similarly-situated sales representatives' commissions in the calculations of their overtime wage rates.

46. Plaintiffs, since being employed by Micron, have worked hours in excess of 40 in a workweek without receiving overtime pay and/or without receiving properly-calculated overtime pay. With full knowledge and permission of, as well as pressure by, superiors at Defendant Micron, Plaintiffs frequently began work before the start of their regularly scheduled shift, worked through lunches, and worked after the end of their scheduled shift. On some occasions Micron managers and supervisors brought food for Plaintiffs and other sales representatives to eat during the lunch hour. This practice was designed to encourage Plaintiffs and other sales representatives to work during their scheduled lunch hours. On occasion, Plaintiffs and other sales representatives were not compensated for the times they worked through lunch periods.

47. Upon information and belief, all sales representatives who were and are similarly situated with Plaintiffs, from time-to-time worked many hours in excess of 40 in a week without receiving overtime pay and/or without receiving properly calculated overtime pay.

CLASS ALLEGATIONS

48. Plaintiffs incorporate paragraphs 1 through 47 above.

49. Plaintiffs are appropriate representatives for employees of Defendant Micron who have been denied overtime compensation as a result of Defendant Micron's violation of the FLSA. The potential class of Plaintiffs consists of all current and former employees of Defendant Micron who were employed at any time during the applicable limitations period or during such period as the Court may designate pursuant to equitable tolling of the limitations period and who were or are assigned to duties as non-exempt sales representatives and who do not qualify for a statutory exemption to the overtime requirements of the FLSA ("the class"). Plaintiffs and the above-described individuals of the class are "similarly-situated employees" within the meaning of Section 16(b) of the FLSA.

50. Defendant Micron is in possession of the names, addresses and employment records of those persons similarly situated to Plaintiffs and whom Plaintiffs seek to represent. Pursuant to Section 16(b) of the FLSA, those individuals are entitled to court-administered notice of this lawsuit in order that they may elect or decline to join Plaintiffs in the prosecution of this action.

51. The class of current and former employees of Defendant Micron as described above is so numerous that joinder of all members is impracticable. During the applicable

periods of limitations prior to the commencement of this action, Defendant Micron has employed several hundred sales representatives.

52. There are questions of law and fact common to the class. The employment policies, practices and agreements of Defendant Micron raise questions of law and fact common to the class, including:

(A) whether Defendant has engaged in a pattern or practice of failing to keep accurate records showing all the time it permitted Plaintiffs and the class to work and failing to provide wage statements itemizing all wages earned and all deductions from wages;

(B) whether Defendant Micron has engaged in a pattern or practice of permitting Plaintiffs and the class to work without paying for all time worked at the agreed rates or the applicable federal and state overtime rates;

(C) whether Defendant Micron has engaged in a pattern or practice of encouraging Plaintiffs and the class not to report, and discouraging them from reporting, all time worked;

(D) whether Defendant Micron has engaged in a pattern or practice of threatening Plaintiffs and the class with discharge or other discrimination if they make wage claims for unrecorded time Defendant Micron has permitted them to work;

(E) whether Defendant Micron willfully failed to pay Plaintiffs and the class at the agreed wage or the applicable overtime rates for the work Defendant Micron permitted them to perform;

(F) whether Defendant Micron has engaged in a pattern or practice of failing to permit Plaintiffs and the class to take rest breaks on the employer's time.

(G) whether Defendant Micron has improperly excluded commissions from the calculation of the overtime rate; and

(H) whether Defendant Micron has engaged in a pattern or practice of suppressing wage claims.

53. The claims of Plaintiffs as representative parties are typical of the claims of the class. Plaintiffs' claims encompass the challenged practices and course of conduct of Defendant Micron. Plaintiffs' legal claims arising out of the course of conduct by Defendant Micron are based on the same legal theories as the claims of the unnamed class members. The legal issues as to which federal and state laws are violated by such conduct apply equally to Plaintiffs and the class.

54. Plaintiffs as representative parties will fairly and adequately protect the interests of the class.

55. The prosecution of separate actions by individual members of the class would create a risk of inconsistent or varying adjudications with respect to individual members of the class which would establish incompatible standards of conduct for Defendant Micron.

56. The prosecution of separate actions by individual members of the class would create a risk of adjudications with respect to individual members of the class which would as a practical matter be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

57. Defendant Micron has acted or refused to act on grounds generally applicable to the class, thereby making appropriate final injunctive relief or corresponding declaratory relief with respect to the class as a whole.

58. Questions of law and fact common to the members of the class predominate over any questions affecting only individual members and a class action is superior to other available methods for the fair and efficient adjudication of this controversy.

CLAIM FOR RELIEF

(FLSA and pendent state law claims)

59. Plaintiffs incorporate paragraphs 1 through 58 above.

60. The FLSA regulates, among other things, the payment of overtime pay by employers whose employees are engaged in commerce, or engaged in the production of goods for commerce, or employed in an enterprise engaged in commerce or in the production of goods for commerce. 29 U.S.C. Section 207(a)(1). Defendant Micron is, and was at all relevant times, subject to the overtime pay requirements of the FLSA, because it is an enterprise engaged in commerce and its employees are engaged in commerce.

61. Section 7(a)(1) of the FLSA, 29 U.S.C. 207(a)(1), requires employers to pay non-exempt employees who work longer than forty (40) hours in a workweek one and one-half times the employee's regular rate of pay for the hours worked in the workweek in excess of forty (40) hours. Defendant Micron is, and was at all relevant times, subject to this requirement to pay non-exempt employees one and one-half times its employees' regular rate of pay, including sales commissions, for all hours worked in a workweek in excess of forty (40) hours. Defendant

Micron violated the FLSA by failing to pay its non-exempt employees for the number of hours they were actually allowed to perform work in excess of forty (40) hours in a workweek.

62. The conduct of Defendant Micron, as described above, has violated the FLSA by additional conduct which includes but is not limited to the following:

- (A) permitting Plaintiffs and the class to work without paying for all time worked, either at the agreed rates or the applicable overtime rate;
- (B) failing to include commissions in the calculation of the overtime rate;
- (C) failing to keep accurate records showing all the time worked by Plaintiffs and the class that Defendant Micron permitted them to work and all wages earned, and failing to provide wage statements itemizing all wages earned;
- (D) threatening to discharge or otherwise discriminate against employees who make wage claims for unrecorded time Defendant Micron has permitted them to work;
- (E) failing to permit rest breaks on the employer's time;
- (F) threatening employees who make claims for unpaid wages for work Defendant Micron has permitted them to perform off the clock with discipline up to and including dismissal;
- (G) engaging in a pattern or practice of unlawfully indemnifying itself with employees against liability for payment of wages; and
- (H) engaging in a pattern or practice of (1) violating wage laws, and (2) suppressing wage claims.

63. Section 13 of the FLSA, 29 U.S.C. Section 213, exempts certain categories of employees from the overtime pay obligations set forth under Section 7(a)(1) of the FLSA. The exemptions include employees who are paid on a salary basis and are employed in a bona fide executive, administrative or professional exemption. 29 U.S.C., Section 213(a)(1). None of the FLSA exemptions apply to Plaintiffs nor to the class. Accordingly, Plaintiffs and the class must be paid overtime pay in accordance with Section 7 of the FLSA.

64. Plaintiffs seek class-wide relief against Defendant Micron and for the patterns and practices of unlawful conduct described above.

65. Plaintiffs and the class are entitled to damages equal to the amount of overtime premium pay within the three years preceding the filing of this complaint, plus periods of equitable tolling. Defendant Micron's failure to pay overtime pay to Plaintiffs and the class was "willful" within the meaning of Section 6(a) of the Portal-to-Portal Pay Act, 29 U.S.C. Section 255(a), since Defendant Micron did not act in good faith in failing to pay proper overtime pay and had no reason to believe that its failure to do so was not a violation of the FLSA, within the meaning of Section 11 of the Portal-to-Portal Pay Act, 29 U.S.C. Section 260. Accordingly, Plaintiffs and the class are entitled to an award of liquidated damages in an amount equal to the amount of unpaid overtime pay described above, pursuant to Section 16(b) of the FLSA. Alternatively, should the Court find that Defendant Micron did not act willfully in failing to pay overtime pay, Plaintiffs and the class are entitled to an award of prejudgment interest at the applicable legal rate. Attorneys' fees and costs, pursuant to Section 16(b) of the FLSA, 29 U.S.C. Section 216(b), should also be awarded.

66. Defendant Micron's above-described conduct also violates the applicable state laws of its operations, including but not limited to Section 44-1502(3), Idaho Code.

67. Defendant Micron's conduct as described above is unlawful under federal and state law, is continuing, is capable of repetition, and will continue unless restrained and enjoined by the court. Plaintiffs and the class have no plain, speedy and adequate remedy at law to redress this continuing unlawful conduct and injunctive relief is necessary and proper.

PRAYER

WHEREFORE, Plaintiffs pray for judgment against Defendant Micron as follows:

1. For the Court's Order authorizing the mailing of a notice to all potential class members and approving the form and content of said notice.
2. For compensatory damages against Defendant Micron for Plaintiffs and the class, including but not limited to, compensation for unrecorded work time and liquidated and exemplary damages and penalties, all in amounts to be proved at trial.
3. For injunctive relief requiring Defendant Micron to (a) pay employees at the agreed rates and proper overtime rates for all time worked by employees that Defendant Micron permits them to work, (b) to keep accurate records showing all the time worked by employees that Defendant Micron permits them to work and all wages earned, and provide wage statements itemizing all wages earned, (c) to cease threatening to discharge or otherwise discriminate against employees who assert claims for unpaid wages for unrecorded work Defendant Micron has permitted them to perform, and (d) to provide rest breaks on the employer's time as required by law.

4. For a corresponding declaration of (a) the rights of Plaintiffs and the class under various applicable state laws, and (b) the obligations of Defendant Micron under individual employment agreements and various applicable state laws.

5. For pre-judgment interest.

6. For costs of litigation, including attorneys' fees, pursuant to, *inter alia*, 29 U.S.C. § 216(b).

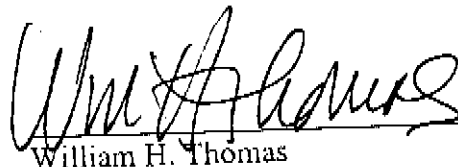
7. For such other and further relief as the Court deems proper.

JURY DEMAND

Plaintiffs demand a jury trial on all issues.

DATED this 23rd day of April, 2002.

HUNTLEY, PARK, THOMAS, BURKETT,
OLSEN & WILLIAMS



William H. Thomas

Attorneys for Plaintiffs

CERTIFICATE OF SERVICE

I hereby certify that on this 23rd day of April, 2002, a true and correct copy of the foregoing instrument was served upon opposing counsel as indicated below:

Kim J. Dockstader

Gregory C. Tollefson

STOEL RIVES LLP

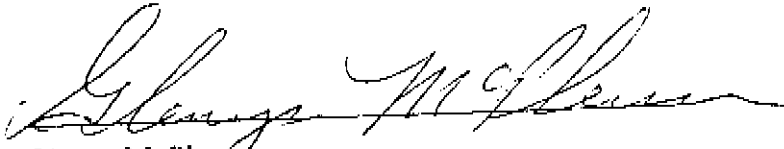
101 S. Capitol Blvd., Suite 1900

Boise, ID 83702-5958

☐ Via Hand Delivery

☐ Via Facsimile 389-9040

☒ Via U. S. Mail


Glenys McPherson

Tim Kaufmann

From: tckaufmann@micronpc.com
Sent: Wednesday, August 09, 2000 8:17 AM
To: tk@micron.net; DRMINK@micronpc.com
Subject: FW: Overtime

> -----Original Message-----

> From: Mark Cox
> Sent: Wednesday, August 09, 2000 8:09 AM
> To: Timothy Kaufmann
> Subject: RE: Overtime

>
> This is certainly your choice but let me make a quick comment. This job
> should be salary plus commission like almost all other Sales jobs that I
> am aware of. This allows the achievers to work as much time as they feel
> necessary to bring in the Sales that ultimately pays them the big money.
> It is unfortunate that because of the laws in Minnesota Micron had to
> change over to hourly pay rate for sales reps. Don't get me wrong, if
> you need to be here then I/Micron will certainly pay you for your efforts.
> I just need to keep an eye on this because then it starts to become a way
> of subsidizing ones paycheck which in turns drives up our budgets.

> -----Original Message-----

> From: Timothy Kaufmann
> Sent: Wednesday, August 09, 2000 7:56 AM
> To: Mark Cox
> Subject: RE: Overtime
> Importance: Low

>
> Mark, yesterday I really wanted to send the server quote to McBride so I
> came in early. However, I had to work later than I intended due to VA
> Business. So I would say it is a combination of both. Unfortunately, I
> won't work any more overtime because I don't feel right if Micron chooses
> not to pay me for that time. There have been several historic cases out
> at main Micron where this was a problem for the company and the employees.
> I understand the constraints of our budget and have no problem adjusting
> my work day.

> -----Original Message-----

> From: Mark Cox
> Sent: Wednesday, August 09, 2000 7:48 AM
> To: Timothy Kaufmann
> Subject: RE: Overtime

>
> Not necessarily what I am saying. What I was trying to pass on is
> that I am not in a position to approve much for overtime right now because
> of OPEX budgets. So, if you are required to stay here to get something
> done or because you are backing someone up then I can get it approved. If
> YOU are choosing to work additional time because you are trying to get
> your sales numbers up then it is up to you and we don't have to log
> overtime. Does that make sense?

> -----Original Message-----

> From: Timothy Kaufmann
> Sent: Wednesday, August 09, 2000 7:03 AM
> To: Mark Cox
> Subject: RE: Overtime
> Importance: Low

>
> Mark, Can you clarify the statement "inclusion on your time
> sheet". Sounds like you don't want me to put the extra work on my
> timesheet.

[illegible]

From: Mark Cox
Sent: Tuesday, August 08, 2000 4:27 PM
To: Timothy Kaufmann
Subject: RE: Overtime

> Thought your shift was from 8-5? Are you asking for
> a 1/2 hour overtime or are you asking to leave early?
> I am going to work a big

> a 1/2 hour overtime
> Just a comment. If you are going to work a big
> chunk of overtime because you have to then that is when you need approval.
> If you decide to work an extra 1/2 to an hour a day or off and on because
> you are trying to drive your sales numbers then that is up to you and
> doesn't require approval/inclusion on your time sheet.

-----Original Message-----
From: Timothy Kaufmann
Sent: Tuesday, August 08, 2000 4:14 PM
To: Mark Cox
Subject: Overtime
Importance: Low

Mark, I was in at 7 this morning . Hoping to get the quote for the servers done. Can I work till about 4 :30 PM. I need to finish some quotes for DHHS.

Tim Kaufmann
tckaufmann@micronpc.com
Health and Human Services Account Representative
Micron Government Computer Systems Inc.
1-800-249-1179 Ext 31287
Fax # 208-893-7240
www.micronpc.com

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8-K 1 f74802ac8-k.htm FORM 8-K

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 6, 2001

INTERLAND, INC.

(Exact Name of Registrant as Specified in its Charter)

Minnesota

(State or Other Jurisdiction of
Incorporation)

0-17932

(Commission File Number)

41-1404301

(IRS Employer Identification No.)

303 Peachtree Center Avenue, Suite 500,
Atlanta, Georgia

(Address of Principal Executive Offices)

30303

(Zip Code)

(404) 720-8301

(Registrant's Telephone Number, Including Area Code)

1450 Eagle Flight Way, Boise, Idaho 83709

(Former Name or Former Address, if Changed Since Last Report)

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- Item 2. Acquisition or Disposition of Assets.
- Item 5. Other Events.
- Item 7. Financial Statements and Exhibits.

EXHIBIT B

Item 8. Change in Fiscal Year.SIGNATUREINDEX TO EXHIBITSEXHIBIT 4.01EXHIBIT 4.02EXHIBIT 99.01Item 2. Acquisition or Disposition of Assets.

On August 6, 2001, Interland, Inc., a Minnesota corporation (formerly Micron Electronics, Inc., the "Company") completed the acquisition of Interland, Inc., a Georgia corporation ("Interland — Georgia"), through the merger of a wholly-owned subsidiary of the Company with and into Interland — Georgia, with Interland — Georgia surviving as a wholly owned subsidiary of the Company (the "Merger"). Simultaneously with the Merger, the Company changed its name from "Micron Electronics, Inc." to "Interland, Inc." and changed its Nasdaq stock symbol to "INLD" effective August 7, 2001. The Company headquarters has been relocated to 303 Peachtree Center Ave., Suite 500, Atlanta, GA, 30303. The Merger is intended to be a tax-free reorganization and will be accounted for under the purchase method of accounting.

In connection with the Merger, the Company issued approximately 41 million shares of Company common stock for all of the issued and outstanding shares of Interland — Georgia. The Company also assumed Interland — Georgia's outstanding stock options and warrants. Each outstanding Interland — Georgia share was exchanged for 0.861 shares of Company common stock. Each outstanding Interland — Georgia stock option and warrant was converted into Company options or warrants, as applicable, as adjusted to reflect this exchange ratio.

A press release announcing the completion of the transaction is attached as Exhibit 99.01 to this report.

Except for the historical information contained on this report, statements in this report may be considered forward-looking statements. These forward-looking statements include, but are not limited to: the expected growth opportunities of the Web hosting market; the expected growth of Interland's business, including expectations for more rapid growth when the economy improves; certain expected effects of the merger of Micron Electronics and Interland, including the expected doubling in size of Micron Electronics' hosting business, the expected cash resources of the combined company as of the closing and the achievement of efficiencies and synergies as a result of increased scale; the combined company's intention to drive toward profitability and to take advantage of the consolidating market; the sufficiency of Interland's cash resources; Interland's expectations regarding its future financial results. Actual results may differ materially from those contained in the forward-looking statements in this report. Factors which could affect these forward-looking statements include but are not limited to: failure to achieve the expected benefits of the merger due to, for example, larger than expected expenses associated with the integration of Micron Electronics and Interland or lower than expected cost synergies; the ability of Interland to expand its customer base; the ability of Interland to market its services effectively; the risk that the use of the Internet and the Web hosting industry may not continue to grow at the rate currently expected or that use of the Internet may evolve away from a "hosted-site" model to a "shared-file" model; the willingness of small and medium-sized businesses to outsource their Web hosting and applications hosting services; the impact of competition and Interland's ability to respond to competitive developments; customer acceptance of new products and services and new versions of existing products; the risk of delay in product development and release dates; risks that Interland may experience difficulties in developing and marketing Internet applications services in the future; risks associated with integrating newly acquired technologies and products and unanticipated costs of such integration; risks associated with attracting, retaining and motivating qualified personnel; the ability to continue to grow Interland's infrastructure to accommodate additional customers and increased use of its network bandwidth or alternatively Interland's ability to efficiently utilize current infrastructures and resources in light of shifting hosting paradigms (dedicated and co-location shifting to shared); the ability to expand Interland's channels of distribution; risks associated with the possible assertion of intellectual property rights by third parties; the ability to achieve expected operating efficiencies in connection with the Interland merger, the ability to operate within budgeted expense levels, risks associated with integrating newly acquired technologies and products and unanticipated costs of such integration, the ability of the combined company to expand its customer base, general economic conditions, the impact of competition, quarterly fluctuations in operating results, the loss of customers

with failing businesses, customer acceptance of new products and services, investments in new business opportunities and the impact of liabilities that could carry over from Micron Electronics' discontinued operations. Certain of these and other risks associated with Interland's business are discussed

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in more detail in its public filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K. Investors should not place undue reliance on these forward-looking statements.

Item 5. Other Events.

On August 6, 2001, the Company held a special meeting of its shareholders, at which shareholders approved the issuance of stock in the Merger, an increase in the size of its board of directors from five to eight; amendments to its articles of incorporation to increase the number of authorized shares of capital stock to 200,000,000 shares and change the name of Micron Electronics to "Interland, Inc."; and amendments to its bylaws to provide that, commencing August 6, 2001, all directors shall hold office for a period of at least two years from that date, and only permit removal for cause during that two year period, and after that two year period, change the term of all the directors to an indefinite term and permit their removal with or without cause. In addition, the Company's shareholders elected Kenneth Gavranovic, Gregg A. Mockenhaupt and Robert T. Slezak as directors. The Articles of Amendment of the Articles of Incorporation of Micron Electronics, Inc. and the Amendment to the Restated Bylaws are filed with the Securities and Exchange Commission (the "SEC") as Exhibits 4.01 and 4.02, respectively, to this Current Report on Form 8-K.

Item 7. Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The required financial information of Interland — Georgia is hereby incorporated by reference to the Interland — Georgia Annual Report on Form 10-K for the period ended December 31, 2000, filed with the SEC on March 16, 2001 as amended on May 1, 2001 and the Interland — Georgia Current Report on Form 10-Q for the period ended March 31, 2001 filed with the SEC on May 15, 2001.

(b) Pro forma financial information.

The Company intends to file by amendment the required pro forma financial statements reflecting the acquisition of all of the issued and outstanding capital stock, including stock options, of Interland — Georgia no later than 60 days after the date that this report on Form 8-K must be filed.

(c) Exhibits.

2.01	Agreement and Plan of Merger, dated March 22, 2000, among Micron Electronics, Inc., Imagine Acquisition Corporation and Interland, Inc. (incorporated by reference to Exhibit 2.01 to the Micron Electronics, Inc. Current Report on Form 8-K filed on April 10, 2001).
4.01	Amendment to Restated Articles of Incorporation.
4.02	Amendment to Restated Bylaws.
99.01	Press Release issued on August 7, 2001 by Interland, Inc.

Item 8. Change in Fiscal Year.

At the meeting of board of directors shareholders of the Company held on August 6, 2001, the directors of the

Company approved the change of the Company's fiscal month end which was on a 4-week, 4-week 5-week cycle, to a calendar month end. As a result, the company's fiscal year will end on August 31 every year. The report covering the transition period of August 30, 2001 to August 31, 2001 will be filed on Form 10-K.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERLAND, INC.

Date: August 7, 2001

By: /s/ David A. Buckel

David A. Buckel, Senior Vice President,
Finance and Chief Financial Officer
(Principal Financial and Accounting Officer)

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INDEX TO EXHIBITS

Exhibit Number	Description
2.01	Agreement and Plan of Merger, dated March 22, 2000, among Micron Electronics, Inc., Imagine Acquisition Corporation and Interland, Inc. (incorporated by reference to Exhibit 2.01 to the Micron Electronics, Inc. Current Report on Form 8-K filed on April 10, 2001).
4.01	Amendment to Restated Articles of Incorporation.
4.02	Amendment to Restated Bylaws.
99.01	Press Release issued on August 7, 2001 by Interland, Inc.

FORM 10-Q/A
Amendment No. 1

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 1, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 0-17932

Micron Electronics, Inc.

(Exact name of registrant as specified in its charter)

State or other jurisdiction of incorporation or organization: Minnesota

Internal Revenue Service - Employer Identification No. 41-1404301

900 E. Karcher Road, Nampa, Idaho 83687
(Address, including zip code of principal executive offices).

(208) 898-3434
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

1

<PAGE>

Yes

☒

No

☐

The number of outstanding shares of the registrant's common stock as of
March 27, 2001 was 96,856,165.

EXHIBIT

11/11/2001 11:11:11 AM 8541160/00009306610.../0000930661-01-500993.tx 4/19/2002

Repayments of debt
Proceeds from issuance of common stock

Net cash provided by (used for) financing activities of continuing operations

Net cash provided by (used in) continuing operations
Net cash provided by (used in) discontinued operations

Net decrease in cash and cash equivalents
Cash and cash equivalents at beginning of period

Cash and cash equivalents at end of period

</TABLE>

Fiscal 2000 amounts have been reclassified to reflect separately the results of discontinued operations.
The accompanying notes are an integral part of the financial statements.

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<PAGE>

Micron Electronics, Inc.
Notes to Financial Statements
(Tabular amounts in thousands, except per share amounts)
(Unaudited)

1. Nature of Business

General

Micron Electronics, Inc. and its subsidiaries (collectively the "Company") provide a variety of computer products and related services through its PC Systems, SpecTek, and HostPro business segments. The Company has adopted plans to dispose of its PC Systems and SpecTek business segments, which are reported separately as discontinued operations - See Footnote 3 "Discontinued Operations." The Web hosting business ("HostPro"), will remain as the Company's sole continuing operations. HostPro offers a range of business-to-business Internet products and services, including turnkey e-commerce solutions, Web and applications hosting, co-location and connectivity services to small - and medium-sized businesses, government, education and retail markets. The PC Systems business develops, markets, manufactures, sells and supports a wide range of desktop and notebook systems and network servers under the micronpc.com brand name and sells, resells, and supports a variety of additional peripherals, software and services. SpecTek processes and markets various grades of memory products in either component or module form for specific applications.

History of Operating Losses

HostPro has incurred net losses and losses from operations for each period from inception through the first six months of 2001, and anticipates to incur losses for at least the next two years. As of March 1, 2001, HostPro had accumulated net losses of approximately \$43 million. The Company does not expect HostPro to generate positive cash flow from operations for at least one year.

The Company's future success is dependent upon its ability to achieve profitability prior to the depletion of cash reserves and to raise funds, thereafter, if needed. The Company cannot assure that HostPro will be profitable in the future under its current Web and application hosting model or that adequate funding will be available to allow the Company to continue operations subsequent to the one-year time period.

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 22, 2001
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MICRON ELECTRONICS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

<TABLE>
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MINNESOTA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

</TABLE>

<C>

7389
(PRIMARY STANDARD INDUSTRIAL
CLASSIFICATION CODE NUMBER)

<C>

(I
IDENT

1450 EAGLE FLIGHT WAY
BOISE, IDAHO 83709
(208) 898-3434
(ADDRESS AND TELEPHONE NUMBER OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

JOEL J. KOCHER
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
MICRON ELECTRONICS, INC.

1450 EAGLE FLIGHT WAY
BOISE, ID 83709
(208) 898-3434
(NAME, ADDRESS AND TELEPHONE NUMBER OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>
<S>

DENNIS R. DEBROECK, ESQ.
FENWICK & WEST LLP
TWO PALO ALTO SQUARE
PALO ALTO, CALIFORNIA 94306-2105
(650) 494-0600

<C>

DAVID A. STOO
KILPATRICK S
1100 PEACHTREE ST
ATLANTA, GA
(404) 81

</TABLE>

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:

<http://www.sec.gov/Archives/edgar/data/854460/000089161801500850/f72415ors-4.txt>

EXHIBIT D

Q: WILL THE EXCHANGE RATIO FOR INTERLAND SHAREHOLDERS BE ADJUSTED?

A: The exchange ratio cannot be decreased. The exchange ratio could be increased if Micron Electronics has less than \$200.0 million in cash and cash equivalents, including any amounts to be received by Micron Electronics for tax refunds, on the date of the closing of the merger, less the amount of any reserves for liabilities unrelated to Micron Electronics' HostPro business. The amount of any loan made to Interland by Micron Electronics under the bridge loan described in this document will count towards this \$200.0 million amount for purposes of determining whether the exchange ratio will be increased. Annex D to this joint proxy statement/prospectus describes how the level of Micron Electronics' cash and cash equivalents, less any reserves and bridge loans, at the closing could affect the exchange ratio.

Q: DO THE BOARDS OF DIRECTORS OF INTERLAND AND MICRON ELECTRONICS RECOMMEND VOTING IN FAVOR OF THE PROPOSALS DESCRIBED IN THIS DOCUMENT?

A: Yes. After careful consideration, Interland's board of directors recommends that its shareholders vote in favor of the merger agreement and the proposed merger. Likewise, after careful consideration, Micron Electronics' board of directors recommends that its shareholders vote in favor of the issuance of Micron Electronics common stock in the merger, the amendments to its articles of incorporation, the amendments to its bylaws, the increase in the size of the board of directors and the election of the three new directors.

For a more complete description of the recommendations of the boards of directors of both companies, see the sections entitled "The Merger and Related Transactions -- Micron Electronics' reasons for the merger" on page 48, "-- Recommendation of the Micron Electronics board of directors" on page 49, "-- Interland's reasons for the merger" on page 50 and "-- Recommendation of the Interland board of directors" on page 52.

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Q: WHAT IS HAPPENING TO MICRON ELECTRONICS' PC SYSTEMS BUSINESS?

A: On April 30, 2001, Micron Electronics entered into a definitive agreement to sell its PC Systems business to GTG PC Holdings, LLC, an affiliate of the Gores Technology Group. Under the terms of the agreement, GTG PC will receive assets and assume liabilities of the PC Systems business, and Micron Electronics will also make a \$70.0 million cash contribution to the business. Micron Electronics is required to meet certain working capital requirements based on the net assets and liabilities to be transferred to GTG PC. An additional capital contribution may be required if Micron Electronics does not meet these working capital requirements.

For a more complete description of the sale of the PC Systems business to GTG PC, see the section entitled "Recent Development with Respect to Micron Electronics" on page 118.

Q: WHAT IS HAPPENING TO MICRON ELECTRONICS' SPECTEK BUSINESS?

A: On April 5, 2001, Micron Electronics sold its SpecTek component recovery business and other real property and intellectual property assets, to Micron Technology, Inc., the parent company of Micron Electronics. Micron Technology was entitled to purchase the SpecTek business under an existing component recovery agreement, originally entered into by the parties in September 1999 and amended in November 2000.

Q: WILL MICRON ELECTRONICS' SHAREHOLDERS BE ENTITLED TO RECEIVE ANY CONSIDERATION IN THE MERGER OR ANY OTHER CASH PAYMENTS AND WHEN?

A: Micron Electronics shareholders will not receive any consideration in the

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 0-17932

Micron Electronics, Inc.

(Exact name of registrant as specified in its charter)

State or other jurisdiction of incorporation or organization: Minnesota

Internal Revenue Service - Employer Identification No. 41-1404301

1450 Eagle Flight Way, Boise, ID 83709
(Address, including zip code of principal executive offices)

(208) 898-3434
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐

The number of outstanding shares of the registrant's common stock as of July 9, 2001 was 96,856,165.

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<PAGE>

PART 1. Financial Information

EXHIBIT E 2/9/2002 2:57

The Company has discontinued the operations of its PC Systems and SpecTek business segments. These segments are accounted for as discontinued operations in accordance with APB No. 30. Amounts in the financial statements and related notes for all periods shown have been reclassified to reflect the discontinued operations.

Operating results for the discontinued operations are reported, net of tax, under "Income (loss) from discontinued operations" on the accompanying Statements of Operations. In addition, the loss for the disposal of the discontinued operations has been recorded, net of tax, under "Loss on disposal of discontinued operations" on the accompanying Statements of Operations. For financial reporting purposes, the assets and liabilities of the discontinued operations are combined and classified in the accompanying Balance Sheet as of August 31, 2000, under "Net assets of discontinued operations." Cash flows from the discontinued operations are also stated separately on the accompanying Statements of Cash Flows, under "Net cash provided by (used in) discontinued operations."

PC Systems

On May 31, 2001, the Company sold its PC Systems business to GTG PC Holdings, LLC ("GTG PC"), an affiliate of the Gores Technology Group. Under the terms of the agreement, GTG PC received assets, which included \$76.5 million in cash, and assumed specified liabilities of the PC Systems business. When the Company announced its planned sale of the PC Systems business to GTG PC, the Company had anticipated that the cash transfer to GTG PC would be \$70.0 million. The difference consists primarily of reimbursements made for liabilities assumed by GTG PC that, in accordance with the original terms, were to be retained by the Company. The Company is required to meet certain working capital requirements based on the net assets and liabilities transferred to GTG PC. The final determination of the working capital transferred to GTG PC is subject to audit. Any adjustment to the working capital transferred could result in an additional cash payment by the Company to GTG PC and a corresponding increase to the loss on disposal.

The Company retained all liabilities of the PC Systems business not assumed by GTG PC, including, for example, liabilities for taxes arising prior to the closing of the transaction, employee termination and related expenses, and any contingent liabilities arising prior to the closing date. In addition, the Company has agreed for a period of three years not to compete with the PC Systems business, and for two years, not to solicit or hire prior employees of the PC Systems business. For a transition period after the closing of the purchase, GTG PC agreed to provide certain information technology, financial, telecommunications and human resources services to the Company at GTG PC's cost plus 10% during the first four months after the closing, and at its cost plus 25% for the following two months.

Through May 31, 2003, or for the applicable statute of limitations with respect to taxes and government contracts, the Company is obligated to indemnify the purchaser and affiliated entities for any breaches of the representations and warranties contained in the agreement. In addition, the Company is obligated for an indefinite period of time to indemnify the purchaser and affiliated entities for any breaches in covenants. The agreement provides that the maximum aggregate liability of the Company for indemnification under the agreement is \$10.0 million, or, in some limited circumstances, \$30.0 million.

The agreement also provides that the Company would potentially be entitled to receive a percentage of any proceeds in the event the PC Systems business is sold or has an initial public offering of its securities within three years of the closing of the purchase. The Company would receive a payment only after the repayment of transaction costs, repayment of debt and capital contributions, payment of a specified amount of cash to GTG PC and obligations under employee incentive programs.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 2000

OR

[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Commission File Number: 17932

Micron Electronics, Inc.

(Exact name of registrant as specified in its charter)

State or other jurisdiction of incorporation or organization: Minnesota

Internal Revenue Service - Employer Identification No. 41-1404301

900 E. Karcher Road, Nampa, Idaho 83687
(208) 898-3434

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

EXHIBIT F

	(2,436
Elimination of intersegment sales	-----
	\$404,035
	=====
Total consolidated net sales	
Operating Income (Loss)	\$ (17,225
PC Systems	(15,636
HostPro	28,963
SpecTek	-----
	(3,904
	(359
Total segment operating income (loss)	-----
Elimination of intersegment income	\$ (4,263
	=====
Total segment operating income (loss)	
Capital Expenditures on Property, Plant and Equipment	\$ 7,045
PC Systems	7,127
HostPro	12,115
SpecTek	-----
	\$ 26,287
	=====
Total segment capital expenditures	

</TABLE>

16. Gain on Sale of Investment

On September 29, 2000, the Company sold its remaining 10% interest in MCMS, Inc. ("MCMS") for a net gain of \$4.5 million which is shown in the statement of income as gain on sale on investment. MCMS was formerly a wholly owned subsidiary, of which 90% was sold in September 1998.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

(In thousands)

Statements contained in this Form 10-Q that are not purely historical are forward-looking statements and are being provided in reliance upon the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All forward-looking statements are made as of the date hereof and are based on current management expectations and information available to the Company as of such date. The Company assumes no obligation to update any forward-looking statement. It is important to note that actual results could differ materially from historical results or those contemplated in the forward-looking statements. Forward-looking statements involve a number of risks and uncertainties, and include trend information. Factors that could cause actual results to differ materially include, but are not limited to, those identified in "Certain Factors" and in other Company filings with the Securities and Exchange Commission. All quarterly references are to the Company's fiscal periods ended November 30, 2000, December 2, 1999 or August 30, 2000, unless otherwise indicated. All tabular dollar amounts are stated in thousands.

Overview

Micron Electronics, Inc. and its subsidiaries (collectively the "Company") is a computing company which provides computer products and services, Internet offerings, Web hosting and business-to-business e-commerce applications for small-and medium-sized businesses, government, education and retail markets. Under the brands micronpc.com, NetFRAME, VelocityNet Direct ("VND"), HostPro and SpecTek, we offer a wide range of innovative products, services and support.

Our three business segments are PC Systems, HostPro and SpecTek. Our PC Systems business develops, markets, manufactures, sells and supports a wide range of high performance desktop and notebook systems and network servers under the micronpc.com and NetFRAME brand names and sells, resells, and supports a variety of additional peripherals, software and services. HostPro, a Web hosting business, offers a range of business-to-business Internet products and services, including turnkey e-commerce solutions, Web and applications hosting, colocation and connectivity services. SpecTek processes and markets various grades of memory products in either component or module form for specific applications. Our operations are reported on a fiscal basis, which is a 52 or 53-week period ending on the Thursday closest to August 31. All references contained herein including annual and quarterly periods are on a fiscal basis.

The Company was formed through the April 7, 1995 merger of three businesses: Micron Computer, Inc., Micron Custom Manufacturing Services, Inc., and ZEOS International, Ltd. As of November 30, 2000, Micron Technology, Inc. ("MTI") owned 61% of our outstanding common stock.

Results Of Operations

Net income for the first quarter of 2001 was \$2 million, or \$0.02 per diluted share, on net sales of \$404 million, compared to net income of \$15 million, or \$0.15 per diluted share, on net sales of \$353 million for the first quarter of 2000. The following table sets forth, for the periods indicated, certain data derived from our consolidated statement of income:

<TABLE>
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	2001		2000	
	Amount	% of Sales	Amount	% of Sales
<C>	<C>	<C>	<C>	<C>
<S>	\$404,035	100.0%	\$352,952	100%
Net sales	61,392	15.2%	86,720	24.6%
Gross margin				
Selling, general and administrative expenses	61,960	15.3%	68,626	19.4%
Research and development	1,237	0.3%	576	0.2%
Other expense (income), net	2,458	0.6%	665	0.2%
Operating income (loss)	(4,263)	(1.1)%	16,853	4.8%
Loss on equity investments	2,114	0.5%	-	-
Gain on sale of investment	4,500	1.1%	-	-
Interest income, net	4,129	1.0%	4,031	1.1%
Income tax provision	676	0.2%	6,264	1.8%
Net income	\$ 1,576	-0.4%	\$ 14,620	4.1%

</TABLE>

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations -- Continued
(In thousands)

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Item 2. Management's Discussion and Analysis of Financial Condition and Results